

AMENDED IN ASSEMBLY SEPTEMBER 1, 2011

AMENDED IN ASSEMBLY JUNE 14, 2011

SENATE BILL

No. 711

Introduced by ~~Committee on Insurance (Senators Calderon (Chair),
Anderson, Corbett, Correa, Gaines, Lowenthal, Price, and
Wyland)~~ *Senator Rubio*
(Coauthor: *Senator Calderon*)

February 18, 2011

~~An act to amend Sections 1063.75 and 1067.17 of, and to add Section 1067.19 to, the Insurance Code, and to repeal Section 16 of Chapter 334 of the Statutes of 2010, relating to insurance. An act to add Section 3016 to the Public Resources Code, relating to public resources.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 711, as amended, ~~Committee on Insurance Rubio. Insurance: Insurance Guarantee Association: California Life and Health Insurance Guarantee Association Act. Public resources: oil and gas: underground injection of gas.~~

Existing law establishes the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation and provides the division with the authority to regulate oil and gas wells and production facilities.

This bill would authorize the division to permit the underground injection of a gas, as defined, including the constituents associated with the gas that are produced in downhole in connection with exploration, development, or production operations for the purposes of disposal.

~~Existing law establishes the California Insurance Guarantee Association to provide coverage against losses arising from the failure of an insolvent property, casualty, or workers' compensation insurer to discharge its obligations under its insurance policies. The association~~

~~is managed by a board of governors appointed by the Insurance Commissioner, the President pro Tempore of the Senate, and the Speaker of the Assembly.~~

~~Existing law provides that any bonds to provide funds for covered claim obligations for workers' compensation claims shall be issued, as specified, prior to January 1, 2013.~~

~~This bill would extend the date for bonds to be issued to provide funds for covered claim obligations for workers' compensation claims, as specified, to January 1, 2023.~~

~~Existing law, the California Life and Health Insurance Guarantee Association Act, establishes an association of insurers to pay benefits and continue coverage pursuant to contractual obligations under life and health insurance policies and annuity contracts in the event of the impairment or insolvency of a member insurer that issued the policies or contracts. Existing uncodified law states that specified changes made to the act during the 2009–10 Regular Session of the Legislature do not apply to any member insurer that, before the effective date of those changes, has been placed under an order of liquidation with a finding of insolvency.~~

~~This bill would codify that provision.~~

~~The bill would make conforming changes.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 3016 is added to the Public Resources*
2 *Code, to read:*

3 *3016. The division shall have the authority to permit the*
4 *underground injection of gas, as defined in Section 3007, including*
5 *the constituents associated with the gas that are produced from*
6 *downhole in connection with exploration, development, or*
7 *production operations for the purposes of disposal.*

8 ~~SECTION 1. Section 1063.75 of the Insurance Code is~~
9 ~~amended to read:~~

10 ~~1063.75. Any bonds issued to provide funds for covered claim~~
11 ~~obligations for workers' compensation claims shall be issued prior~~
12 ~~to January 1, 2023, in an aggregate principal amount outstanding~~
13 ~~at any one time not to exceed \$1.5 billion dollars (\$1,500,000,000);~~
14 ~~and any bonds issued or issued to refund bonds shall not have a~~

1 final maturity exceeding 20 years from the date of issuance. The
2 bonds shall be issued at the request of CIGA, shall be in the form,
3 shall bear the date or dates, and shall mature at the time or times
4 as the indenture authorized by the request may provide. The bonds
5 may be issued in one or more series, as serial bonds or as term
6 bonds, or as a combination thereof, and, notwithstanding any other
7 provision of law, the amount of principal of, or interest on, bonds
8 maturing at each date of maturity need not be equal. The bonds
9 shall bear interest at the rate or rates, variable or fixed or a
10 combination thereof, be in the denominations, be in the form, either
11 coupon or registered, carry the registration privileges, be executed
12 in the manner, be payable in the medium of payment at the place
13 or places within or without the state, be subject to the terms of
14 redemption, contain the terms and conditions, and be secured by
15 the covenants as the indenture may provide. The indenture may
16 provide for the proceeds of the bonds and funds securing the bonds
17 to be invested in any securities and investments, including
18 investment agreements, as specified therein. CIGA may enter into
19 or authorize any ancillary obligations or derivative agreements as
20 it determines necessary or desirable to manage interest rate risk
21 or security features related to the bonds. The bonds shall be sold
22 at public or private sale by the Treasurer at, above, or below the
23 principal amount thereof, on the terms and conditions and for the
24 consideration in the medium of payment that the Treasurer shall
25 determine prior to the sale.

26 SEC. 2. Section 1067.17 of the Insurance Code is amended to
27 read:

28 1067.17. (a) No person, including an insurer, agent, or affiliate
29 of an insurer shall make, publish, disseminate, circulate, or place
30 before the public, or cause directly or indirectly, to be made,
31 published, disseminated, circulated, or placed before the public,
32 in any newspaper, magazine, or other publication, or in the form
33 of a notice, circular, pamphlet, letter, or poster, or over any radio
34 station or television station, or in any other way, any advertisement,
35 announcement, or statement, written or oral, which uses the
36 existence of the California Life and Health Insurance Guarantee
37 Association for the purpose of sales, solicitation, or inducement
38 to purchase any form of insurance covered by the California Life
39 and Health Insurance Guarantee Association Act. Provided,
40 however, that this section shall not apply to the California Life

1 and Health Insurance Guarantee Association or any other entity
2 that does not sell or solicit insurance.

3 (b) (1) The association shall prepare a summary document
4 describing the general purposes and current limitations of the article
5 and complying with subdivision (c). This document shall be
6 submitted to the commissioner for approval. Sixty days after
7 receiving approval, no insurer may deliver a policy or contract
8 described in paragraph (1) of subdivision (b) of Section 1067.02
9 to a policyholder or contractholder unless the document is delivered
10 to the policy or contractholder prior to or at the time of delivery
11 of the policy or contract. The document should also be available
12 upon request by the policyholder. The distribution, delivery, or
13 contents or interpretation of this document shall not mean that
14 either the policy or the contract or the holder thereof would be
15 covered in the event of the impairment or insolvency of a member
16 insurer. The description document shall be revised by the
17 association as amendments to the article may require. Failure to
18 receive this document does not give the policyholder,
19 contractholder, certificate holder, or insured any greater rights than
20 those stated in this article. This paragraph shall remain operative
21 only until paragraph (2) becomes operative.

22 (2) Within 180 days of the effective date of the act that amended
23 this section in the 2009–10 Regular Session, the association shall
24 prepare a summary document describing the general purposes and
25 current limitations of the article and complying with subdivision
26 (c). This document shall be submitted to the commissioner for
27 approval. At the expiration of the 60th day after the date on which
28 the commissioner approves the document, an insurer may not
29 deliver a policy or contract described in paragraph (1) of
30 subdivision (b) of Section 1067.02 to a policy or contract owner
31 unless the summary document is delivered to the policy or contract
32 owner at the time of delivery of the policy or contract. The
33 document shall also be available upon request by a policy owner.
34 The distribution, delivery, or contents or interpretation of this
35 document does not guarantee that either the policy or the contract
36 or the owner of the policy or contract is covered in the event of
37 the impairment or insolvency of a member insurer. The description
38 document shall be revised by the association, as amendments to
39 the article may require. Failure to receive this document does not

1 give the policy owner, contract owner, certificate holder, or insured
2 any greater rights than those stated in this article.

3 (e) ~~The document prepared under subdivision (b) shall contain~~
4 ~~a clear and conspicuous disclaimer on its face. The commissioner~~
5 ~~shall promulgate a rule establishing the form and content of the~~
6 ~~disclaimer. The disclaimer shall do all of the following:~~

7 (1) ~~State the name and address of the life and health insurancee~~
8 ~~guarantee association and insurance department.~~

9 (2) ~~Prominently warn the policy owner or contract owner that~~
10 ~~the California Life and Health Insurance Guarantee Association~~
11 ~~may not cover the policy or, if coverage is available, it will be~~
12 ~~subject to substantial limitations and exclusions and conditioned~~
13 ~~on continued residence in the state.~~

14 (3) ~~State that the insurer and its agents are prohibited by law~~
15 ~~from using the existence of the California Life and Health~~
16 ~~Insurance Guarantee Association for the purpose of sales,~~
17 ~~solicitation, or inducement to purchase any form of insurance.~~

18 (4) ~~State that the policy owner or contract owner should not rely~~
19 ~~on coverage under the California Life and Health Insurance~~
20 ~~Guarantee Association when selecting an insurer.~~

21 (5) ~~Provide other information as directed by the commissioner.~~

22 SEC. 3. ~~Section 1067.19 is added to the Insurance Code, to~~
23 ~~read:~~

24 ~~1067.19. The amendments made to this article by Chapter 334~~
25 ~~of the Statutes of 2010 during the 2009–10 Regular Session of the~~
26 ~~Legislature shall not apply to any member insurer that, before the~~
27 ~~effective date of those amendments, has been placed under an~~
28 ~~order of liquidation with a finding of insolvency.~~

29 SEC. 4. ~~Section 16 of Chapter 334 of the Statutes of 2010 is~~
30 ~~repealed.~~